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SIPDIS

TREASURY FOR JANICE GARDNER

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TAGS: [ECON](#) [PREL](#) [KTFN](#) [KWBG](#) [SA](#)
SUBJECT: MEETING WITH SAUDI FUND FOR DEVELOPMENT

Classified By: DCM DAVID RUNDELL FOR REASONS 1.4 (B) AND (D)

¶1. (C) SUMMARY. On February 24, 2009, U.S. Embassy and Treasury officials met with H. E. Yousef Al-Bassem, Vice Governor and Managing Director of the Saudi Fund for Development (SFD), and discussed a variety of issues with regard to the provision of humanitarian and developmental aid. U.S. and Saudi officials agreed on the urgent need to channel support to Gaza, and ensure that the support is not misdirected or otherwise misused to exacerbate the conflict. END SUMMARY.

¶2. (U) SFD Vice Chairman and Managing Director Al-Bassam provided an overview of SFD and the breadth of its projects worldwide. Riyadh-based SFD was founded in 1963 and provides soft loans, in addition to other financial programs, to promote long-term development or reconstruction in the developing world. SFD is part of the Saudi Ministry of Finance and has US \$9 billion in capital based on Saudi government allocations and subsequent investments it manages. SFD aims to provide funding to projects that would not be suitable for private financing, and a majority of its projects are co-financed with other international funding organizations such as the World Bank. The organization has financed projects in 75 countries and is implementing 128 projects. SFD has been active in Afghanistan, Pakistan, and Yemen, and has responded to humanitarian crises following natural disasters such as earthquakes, hurricanes and tsunamis. Currently, SFD is placing a strong emphasis on development programs, such as water supply projects, in sub-Saharan Africa.

¶3. (U) Al-Bassam spoke briefly about SFD policies and practices covering project implementation. He stated that when selecting contractors to carry out its projects, SFD relies heavily on local government officials, the Saudi Embassy in the project location, and the host government Embassy in Saudi Arabia. In coordination with all of the above, SFD selects contractors to implement approved developmental projects and normally makes payments directly to the approved contractors. He boasted that the organization enjoys a 100% success rate with regard to the implementation of its projects.

¶4. (U) Al-Bassam commented on the issue of security and how SFD ensured the well being of contractors in areas such as Yemen, where physical security is a serious concern. Al-Bassam explained that SFD provides funding directly to local contractors who understand local dynamics and are well-integrated into the community. He said that SFD has earmarked US \$1 billion in capital for projects in Lebanon that has not been utilized because of complications with the local government. Al-Bassam also stated that SFD had a number of projects in Gaza prior to this year's conflict; however, those projects ground to a halt following the inability of contractors to get construction supplies.

¶5. (C) On the subject of Gaza aid, Al-Bassam welcomed the

announcement from Secretary Clinton regarding the March 2nd conference in Sharm El-Sheikh, Egypt, spelling out \$900 million in U.S. funds. Regarding the recent fighting, Al-Bassam was explicit that both sides -- the Palestinians and Israelis -- were to be blamed for the current conflict and ensuing humanitarian crisis in Gaza. Al-Bassam said the SFD was actively working with other GCC development funds on a secure mechanism for funneling aid to Gaza.

¶6. (C) Al-Bassam underscored that funds pledged by Saudi Arabia would go only for reconstruction efforts and that PA budget support would be handled separately. He also noted that discussions about funding the PA budget were held at Arab League meetings. He underscored that aid for Gaza reconstruction could be dispensed without going through Hamas or the Palestinian Authority.

¶7. (U) DAS Mendelsohn cleared this cable.
FRAKER